

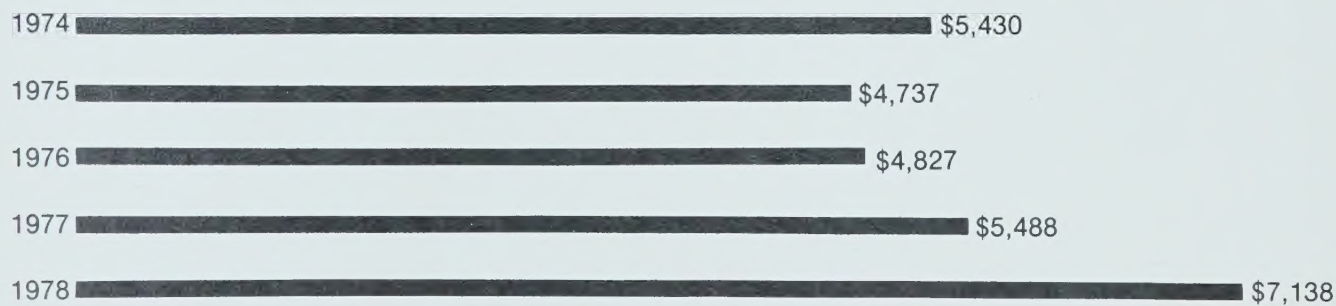
**ANNUAL REPORT 1978
GREYHOUND
COMPUTER
OF CANADA LTD.**



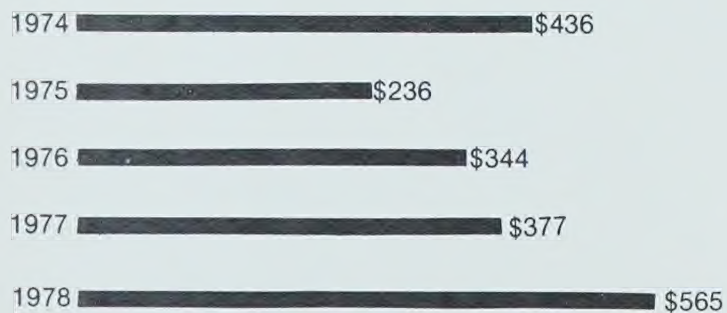
Financial Highlights

	For the year ended				
	Dec. 31, 1978	Dec. 31, 1977	Dec. 31, 1976	Dec. 31, 1975	Dec. 31, 1974
Revenue	\$ 7,137,829	\$ 5,487,844	\$ 4,827,087	\$ 4,736,596	\$ 5,429,657
Income before Provision for Income Taxes	\$ 1,024,778	\$ 757,791	\$ 696,400	\$ 474,894	\$ 833,307
Net Income	\$ 565,389	\$ 376,791	\$ 344,400	\$ 235,894	\$ 435,566
Shareholders' Equity	\$ 9,497,234	\$ 9,123,295	\$ 8,746,504	\$ 8,402,104	\$ 8,166,210
Earnings per Share	14¢	9¢	9¢	6¢	11¢
Computer Equipment Owned (at cost)	\$38,151,934	\$30,048,431	\$25,556,950	\$25,356,806	\$25,097,041

Revenues (thousands)



Net Income (thousands)



- what is area for growth?
- are you buying 4200 series?
- 1979 profit vs sales

1978 Report to the Shareholders

Once again it is my privilege to present our shareholders with this annual report of Greyhound Computer of Canada Ltd. The year 1978 was a very profitable one and gratifying to all those involved in the operation of your Company. On January 2, 1979, a dividend of 5¢ per share for 1978 was paid to all shareholders of record as of December 8, 1978. This was the initial dividend paid by your Company.

We are pleased to report improvement in revenues and net income for the third consecutive year. Net income for 1978 was \$565,000, up 50 per cent from \$377,000 in 1977. Revenues of \$7,138,000, the highest in the history of your Company, were up 30 per cent from \$5,488,000 in 1977. The financial highlights section on the opposite page displays pertinent data for the last five years.

Greyhound Computer's primary business is the purchase, sale and lease of computer equipment. During 1978, \$13,000,000 of new investments were made including two large IBM 3033 systems. We plan to continue to build the leasing portfolio through selected purchases of additional equipment as leases can be developed on acceptable terms.

Your Company continues to offer an attractive alternative to computer users who require powerful, cost-efficient computing systems. Greyhound Computer provides an opportunity for cost-conscious customers, present and prospective, to realize substantial savings in their data processing operations.

Greyhound Computer of Canada Ltd. celebrated its tenth anniversary in 1978. We are proud of our achievements during the past ten years and envision continuing strides in the future. The success of your Company is a reflection of the outstanding efforts put forth by our employees year after year. Their contribution is gratefully acknowledged.

On behalf of the Board,



W. D. Maunder
President and Chief Executive Officer

(inc. profit)
- in spite of inc corp. costs, etc.,
no gen. poor economy

- \$13,000,000 370
↓ 3000
3033 lease to output

- should make sub'l cent to
results over next few years
no certain growth curve

- ~~price~~ ~~into~~ - results consistently
outpaced that of industry

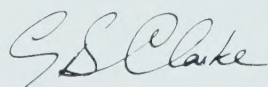
Greyhound Computer of Canada Ltd.

(Incorporated under the Canada
Corporations Act)

Statement of Consolidated Financial Condition

Assets	December 31	
	1978	1977
CASH	\$ 49,529	\$ 15,677
RECEIVABLES		
Accounts receivable	236,493	384,769
Less allowance for doubtful accounts	79,955	86,708
	156,538	298,061
Due from Greyhound Computer Corporation	10,319	3,602
Recoverable income taxes	375,758	296,833
	542,615	598,496
COMPUTER EQUIPMENT PURCHASED FOR RESALE	195,823	49,788
NET INVESTMENT IN DIRECT FINANCING LEASES (Note A):		
Equipment lease receivables	2,307,349	2,788,390
Estimated residual value of equipment	565,485	958,869
Less unearned income	(474,753)	(679,271)
	2,398,081	3,067,988
COMPUTER RENTAL EQUIPMENT (Notes A and B):		
Cost	38,151,934	30,048,431
Less accumulated depreciation	19,143,096	17,092,745
	19,008,838	12,955,686
OTHER ASSETS	69,111	76,321
	\$22,263,997	\$16,763,956

On behalf of the Board



G. B. Clarke
Director



W. D. Maunder
Director

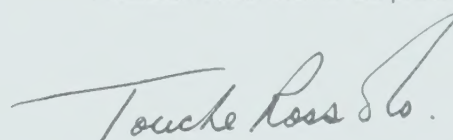
Liabilities and Shareholders' Equity	December 31	
	1978	1977
SHORT-TERM LIABILITIES:		
Accounts payable — trade	\$ 181,001	\$ 1,368,040
Accounts payable — equipment	—	35,870
Income taxes	—	17,645
Other accrued expenses	149,230	165,397
Rentals received in advance	63,819	84,847
Cash dividend payable	200,950	—
	595,000	1,671,799
LONG-TERM DEBT (Note C)	9,220,000	3,560,000
DEFERRED ITEMS (Note A):		
Income taxes	2,808,181	2,202,669
Investment tax credit	143,582	206,193
	12,766,763	7,640,661
SHAREHOLDERS' EQUITY (Note D):		
Capital stock, without par value		
Authorized — 6,000,000 shares		
Issued and fully paid		
— 4,019,000 shares	5,023,750	5,014,250
Retained income	4,473,484	4,109,045
	9,497,234	9,123,295
	\$22,263,997	\$16,763,956

Auditors' Report

The Shareholders,
Greyhound Computer of Canada Ltd.

We have examined the statement of consolidated financial condition of Greyhound Computer of Canada Ltd. as at December 31, 1978 and the statements of consolidated income and retained income and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants
Toronto, Ontario
February 5, 1979

Statement of Consolidated Income and Retained Income

	Year Ended December 31	
	1978	1977
COMPUTER LEASING AND OTHER REVENUES (Note A)	\$7,137,829	\$5,487,844
EXPENSES:		
Depreciation of computer equipment (Note B)	4,741,119	3,498,509
Other direct leasing costs	423,920	536,160
Interest on long-term debt	469,482	158,081
Selling, administrative and other operating expenses	478,530	537,303
	6,113,051	4,730,053
INCOME BEFORE INCOME TAXES	1,024,778	757,791
INCOME TAXES (Note A):		
Currently (recoverable) payable	(60,573)	341,000
Deferred	582,573	40,000
Investment tax credit amortization	(62,611)	—
	459,389	381,000
NET INCOME	565,389	376,791
RETAINED INCOME, JANUARY 1	4,109,045	3,732,254
	4,674,434	4,109,045
CASH DIVIDEND DECLARED (\$.05 per share)	200,950	—
RETAINED INCOME, DECEMBER 31	\$4,473,484	\$4,109,045
NET INCOME PER SHARE:		
Based on average outstanding capital stock	\$.14	\$.09

Statement of Changes in Consolidated Financial Position

	Year Ended December 31	
	1978	1977
SOURCE OF FUNDS:		
From operations:		
Net income	\$ 565,389	\$ 376,791
Depreciation	4,750,383	3,507,417
Deferred income taxes	582,573	40,000
Investment tax credit utilized	(48,016)	114,300
Total from operations	5,850,329	4,038,508
Collections on direct financing leases		
less amortization of unearned income	393,161	574,233
Disposals of computer equipment	2,552,207	574,205
Decrease in receivable from parent	—	31,097
Decrease in accounts receivable		
and other assets	60,545	—
Increase in short-term liabilities	—	428,053
Increase in long-term debt	5,660,000	3,500,000
Other, net	44,840	20,347
	14,561,082	9,166,443
USE OF FUNDS:		
Acquisitions of equipment for:		
Operating leases	12,950,931	6,608,616
Direct financing leases	145,798	2,093,573
Increase in receivable from parent	6,717	—
Increase in computer equipment purchased		
for resale	146,035	23,788
Increase in accounts receivable and		
other assets	—	453,719
Decrease in short-term liabilities	1,076,799	—
Dividend	200,950	—
	14,527,230	9,179,696
INCREASE (DECREASE) IN CASH	\$ 33,852	(\$ 13,253)

Notes to Consolidated Financial Statements

December 31, 1978

A. Significant Accounting and Financial Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of Greyhound Computer of Canada Ltd. and its wholly-owned subsidiary, Canadian Computer Resources Limited (the Company). All material intercompany transactions and accounts are eliminated in consolidation. Greyhound Computer Corporation owns 82.5% of the Company's capital stock.

Certain reclassifications have been made in the 1977 consolidated financial statements to conform to the classifications used in 1978.

Computer Equipment

Computer equipment is stated at cost. Substantially all IBM System/360 equipment is depreciated on the straight-line method over ten years or to December 31, 1979, whichever is shorter, to a 10% residual value. Other IBM System/360 compatible computer equipment is depreciated to a 10% residual value to December 31, 1979. IBM System/370 and compatible equipment is depreciated on a 150% declining balance method based on useful lives of 5 to 7 1/2 years.

Equipment purchased for indirect leasing is depreciated at 30% per annum on the declining-balance method.

Computer equipment sold or otherwise disposed of is removed from the equipment accounts. Any resulting gain or loss is credited or charged to accumulated depreciation and amortized to income over the remaining depreciable life of comparable equipment.

Accounting for Revenues and Leasing Costs

Substantially all computer leases are operating leases whereby rentals are recognized when earned. Gains on equipment sales transactions, which involve the purchase and resale of equipment, are included in revenues at the time of acceptance by the customer.

For direct financing leases, the equipment lease receivables, unearned income, and residual value of the equipment are recorded when lease contracts become effective. The unearned income (representing the difference between the aggregate lease rentals and the cost of related equipment, commissions and other direct expenses, less estimated residual value of the equipment at the end of lease term) is recorded as income over the term of the related lease.

Substantially all selling and administrative expenses and direct costs associated with leasing equipment, including maintenance, refurbishing and relocation expenses, are charged to income as incurred, except sales commissions which are deferred and amortized over the average term of the related leases.

Income Taxes

Deferred taxes are provided on timing differences between tax and financial reporting and primarily consist of depreciation and income on direct financing leases.

Investment tax credits on equipment subject to direct financing leases are deferred and amortized by credits to income, in proportion to unearned income amortization, over the term of the related lease.

B. Computer Rental Equipment:

The Company's business principally involves leasing and other marketing of data processing computer systems, primarily IBM and compatible equipment. Most leases are operating leases which are for initial terms of one to three years, and are subject to termination on 90-120 days notice, in some cases upon payment of cancellation penalties. The computer rentals over the remaining non-cancellable terms of outstanding leases at December 31, 1978 are approximately \$9,545,000 which are due as follows: \$5,152,000 (1979); \$2,991,000 (1980); \$1,136,000 (1981); \$162,000 (1982) and \$104,000 (1983). Accordingly, the recovery of the Company's carrying amount of computer equipment at December 31, 1978 (\$19,008,838) is dependant upon renewal of existing leases or sale or lease of related equipment at satisfactory prices. Direct expenses incurred in marketing equipment and loss of revenues during periods between customers are substantial.

On the basis of cost, the percentage of IBM System/370 and compatible equipment off-rent was 10% at December 31, 1978 including 8% committed to new lessees at that date. All System/370 and compatible equipment was on-rent at December 31, 1977. The percentage of all other computer equipment off-rent, on such basis, was approximately 25% at December 31, 1978 compared to 16% at December 31, 1977.

The following table summarizes the Company's investment in computer equipment at December 31, 1978 and 1977:

Type of equipment	December 31, (000's Omitted)			
	1978		1977	
	Cost	Carrying amount	Cost	Carrying amount
IBM System/370 and compatible	\$18,427	\$14,936	\$ 6,548	\$ 5,770
IBM System/360 and compatible	19,022	3,748	22,696	6,667
Other	703	325	805	519
	\$38,152	\$19,009	\$30,049	\$12,956

In late 1978 and early 1979, IBM announced reductions in sales prices of certain System/370 models. In addition, IBM announced two new computer models in early 1979, the 4331 and 4341, having substantially increased performance capabilities but greatly reduced prices compared to predecessor models, especially for additional memory capacity, with deliveries commencing later in 1979.

Continuing achievements in computer technology, pricing and delivery of advanced computer equipment by manufacturers (including the recent announcements detailed above) and changes in rental rates and sales prices by other lessors and dealers could significantly influence estimates of useful lives and future rental or sales values of the Company's equipment.

Additional data on actual performance characteristics, software programs and production and delivery schedules are required to permit adequate assessment of the effects of the newly announced systems on the Company's System/360 and System/370 and compatible equipment, but management continues to believe that the Company will be successful in recovering the remaining carrying amount of computer equipment.

C. Long-term Debt:

Loans payable to banks and other financial institutions are guaranteed by the parent company and are subject to revolving credit agreements aggregating \$10,000,000 with interest rates of 1/2 of 1 per cent over the bank prime rates. As long as the Company maintains the required borrowing base no repayment is required; accordingly, no portion of the loans is classified as currently payable at December 31, 1978. However, if such indebtedness is not renewed at the annual renewal date, the agreement provides for repayment over thirty-six months.

Upon request, the Company is required to grant the banks a security interest in substantially all equipment and the related leases and may not otherwise encumber such assets (other than by purchase money mortgages) or leases in Canada.

D. Stock Option Plan:

The Company has granted options to officers and key employees, under the Company's Incentive Stock Option Plan, to purchase capital stock of the Company at the market price on the dates of granting the options. Options become exercisable in four equal annual instalments commencing one year after the date granted, and expire five years thereafter. During the year ended December 31, 1978, 19,000 shares were issued for \$9,500 under options granted in 1974.

As at December 31, 1978, options were outstanding on 120,000 shares of capital stock as follows:

	Shares
To directors and officers:	
Granted May 14, 1974 at \$.50 per share	10,000
Granted March 22, 1978 at \$.42 per share	110,000
	120,000

E. Directors and Officers:

The Company has eight directors and nine officers, of whom three are directors. The directors received no remuneration as directors and the aggregate remuneration of officers for the year ended December 31, 1978 was \$156,821 (\$142,712, 1977).

The total remuneration of directors and senior officers (as defined by The Securities Act — Ontario) for the year ended December 31, 1978 was \$189,276 (\$191,789, 1977).

Directors and Officers

Directors

Ralph C. Batastini, Phoenix
Robert L. Borden, Calgary
W. Carroll Bumpers, Phoenix
Gordon B. Clarke, Phoenix
W. Donald Maunder, Toronto
Walter S. Owen, Vancouver
Olie E. Swanky, Phoenix
Hugh P. Thomas, Toronto

Officers

Olie E. Swanky, Chairman of the Board
Gordon B. Clarke, Vice Chairman of the Board
W. Donald Maunder, President and Chief Executive Officer
Ronald J. Camsell, Vice President
Leonard J. Micallef, Controller and Assistant Secretary
Frederick G. Emerson, Secretary
Robert C. Kibler, Treasurer
Levon Kasarjian, Jr., Assistant Secretary
Ted A. Price, Assistant Secretary

Auditors

Touche Ross & Co., Chartered Accountants

Registrar and Transfer Agent The Royal Trust Company

Stock Listing The Toronto Stock Exchange

Bankers

Bank of Montreal
Canadian Imperial Bank of Commerce
Continental Illinois (Canada) Ltd.
The Mercantile Bank of Canada
The Royal Bank of Canada

Head Office

Guardian of Canada Tower
181 University Avenue, Suite 1416
Toronto, Ontario M5H 3M7

Annual Meeting

The annual meeting of shareholders will be held at 10 a.m. on Tuesday, May 1, 1979 at the offices of the Board of Trade of Metropolitan Toronto, 3rd Floor, First Canadian Place, Toronto, Ontario.



Head Office:
Guardian of Canada Tower
181 University Avenue, Suite 1416
Toronto, Ontario
M5H 3M7

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Greyhound
Computer of
Canada Ltd.

Mid Year
Report
June 30
1978

GREYHOUND COMPUTER OF CANADA LTD.

August 15, 1978

Dear Shareholder,

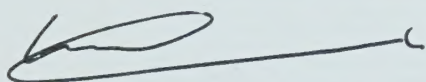
For the second quarter ended June 30, 1978, net income was \$155,855, an improvement of 59 per cent over the \$98,323 reported for the corresponding period last year. Revenue for the quarter was \$1,638,270, up 37 per cent from the \$1,193,013 reported for the same period a year ago.

For the six months, net income was \$320,957, an increase of 93 per cent over the \$166,109 reported for the first six months of 1977. Revenue for the period was \$3,296,900 compared to \$2,346,565 for the same period in 1977, an improvement of 40 per cent.

The improved results over last year reflect the investment in selected IBM System /370 products during the past twelve months. Several opportunities to purchase and lease back more IBM computer systems are being pursued.

Greyhound Computer of Canada Ltd. celebrated its tenth anniversary on July 19, 1978. We are proud of our accomplishments during the past ten years and look forward to a very promising future.

On behalf of the Board,



W. D. Maunder
President and Chief Executive Officer

Comparative Consolidated Statement of Earnings (unaudited)

Six Months Ended June 30	1978	1977
Revenue	\$3,296,900	\$2,346,565
Depreciation	2,123,947	1,485,818
Interest	135,907	16,828
Other Expenses	451,808	510,810
Total Expenses	2,711,662	2,013,456
Income before Income Taxes	585,238	333,109
Provision for Income Taxes		
Current	277,000	167,000
Deferred	20,000	—
Investment Tax Credit	297,000	167,000
Amortization	(32,719)	—
Net Income Taxes	264,281	167,000
Net Income	320,957	166,109
Earnings per share	8.0¢	4.2¢
Average Shares Outstanding	4,004,000	4,000,000

Second Quarter	1978	1977
Revenue	\$1,638,270	\$1,193,013
Depreciation	1,091,665	742,221
Interest	63,116	4,622
Other Expenses	199,641	249,847
Total Expenses	1,354,422	996,690
Income before Income Taxes	283,848	196,323
Provision for Income Taxes		
Current	(28,000)	98,000
Deferred	172,000	—
	144,000	98,000
Investment Tax Credit		
Amortization	(16,007)	—
Net Income Taxes	127,993	98,000
Net Income	155,855	98,323
Earnings per share	3.9¢	2.5¢
Average Shares Outstanding	4,004,000	4,000,000

GREYHOUND COMPUTER OF CANADA LTD. Consolidated Statement of Changes in

Financial Position (unaudited)
Six Months Ended June 30, 1978

Source of Funds:

	1978	1977
From Operations:		
Net Income	\$ 320,957	\$ 166,109
Depreciation	2,123,947	1,485,818
Deferred income taxes	20,000	(295,152)
Investment tax credit utilized	43,928	—
Collections on finance leases	358,462	381,444
Earned income on finance leases	(133,022)	(103,943)
Total from Operations	2,734,272	1,634,276
Disposals of computer equipment	755,782	105,228
Disposals of other assets	—	3,100
Decrease in accounts receivable and other assets	309,074	32,402
Increase in long-term debt	2,700,000	—
	6,499,128	1,775,006

Use of Funds:

Term Deposits	—	740,000
Purchase of equipment for:		
Operating Leases	5,098,576	203,913
Finance Leases and resale	—	75,806
Repayment of long-term debt	—	60,000
Increase in receivable from parent	16,425	—
Decrease in short-term liabilities	1,264,275	699,627
Other, net	33,467	11,497
	6,412,743	1,790,843
Increase (Decrease) in Cash	\$ 86,385	\$ (15,837)